



Firing the Boss!

The Steelworkers at Wheeling-Pitt

■ *An Interview with Paul Rusen,
former USWA District Director*

One way to judge a labor contract is from the number and intensity of the howls it generates on Wall Street. By that standard, the Steelworkers' hard-won agreement with Wheeling-Pittsburgh Steel Co. in October 1985 should win a prize.

One of the Street's most respected steel analysts, John C. Tumazos, for example, was moved to panic in his December 1985 investors' newsletter. Tumazos warned that the Steelworkers "could virtually disenfranchise shareholders" in their ruthless pursuit of management rights. Citing one dangerous precedent after another, Tumazos concluded that "in the Wheeling-Pittsburgh settlement the USWA made virtually no economic concessions and assumed management control."

Manufacturers Hanover Trust Co., Wheeling-Pitt's main banker, felt much the same way. Bemoaning management's capitulation to the union, the bank threatened to force the company into liquidation unless it got a better deal.

To striking Wheeling-Pitt steelworkers, however, the contract they won after a valiant 98-day strike was clearly nothing to cheer about. In an attempt to save an already bankrupt company, they gave plenty of economic concessions: about \$1.40-an-hour in wages that were already below the industry standard, the elimination of COLA and Sunday premiums, and various concessions on

vacations, holidays and health insurance. When you add up the result of a series of concessions contracts beginning in April 1982, steelworkers at Wheeling-Pitt have seen their real standard of living decline by some 20%.

But business leaders had their reasons to fear the precedents the USWA established at Wheeling-Pitt. While giving up a bundle in economic concessions, the union shredded a whole series of sacred management rights and dramatically increased its role in running the company. In the end, the union "fired" Wheeling-Pitt's top management and had a role in choosing the management team with whom it eventually agreed to a contract.

Wheeling-Pitt, the seventh largest steel company in the U.S., had been losing money and facing bankruptcy for several years. Every time a financial crisis loomed, management came to the union asking for relief, and every time the union gave it. In the Spring of 1985, there was a new crisis and the USWA negotiating team tentatively agreed to a new round of concessions. But this time the union insisted that everybody make sacrifices, not just the union, and pointed particularly to the banks and insurance companies to whom W-P owed so much money. The lenders, in fact, had been in the driver's seat. Though they would lose plenty if Wheeling-Pitt went under, they insisted they would give no economic relief to the company unless their interests were *completely* protected. Knowing that the company would be forced into Chapter 11 bankruptcy without a reduced labor contract, union negotiators refused to sign the tentative agreement because they didn't like the deal management had cut with the lenders.

Wheeling-Pitt CEO Dennis J. Carney and Labor Relations Vice President Joseph Scalise went wild. Management's financial arrangements with its lenders were none of the union's business. Never before had a labor contract been rejected on such grounds. The company declared bankruptcy, went into Chapter 11 and found a bankruptcy judge (the infamous Warren W. Bentz) who allowed it to void its labor contract, despite a 1984 amendment to bankruptcy law that forbid this. Carney and Scalise then imposed wage cuts, scrapped the grievance procedure and announced a whole series of work rule changes. In response, in July 1985 the Steelworkers walked out.

For the first time in 26 years, the USWA was on strike against a steel company. And its main demand was the elimination of Dennis J. Carney and his replacement by someone who would bargain with the union.

The union fought on a number of different fronts. The strike shut down production completely, putting the financial squeeze

on a company that was already sliding toward the precipice that leads from Chapter 11 to outright liquidation. It also fought in the courts. In addition to appealing Judge Bentz' peculiar understanding of bankruptcy law (which was eventually reversed), the union went to bankruptcy court to press its members' claims in the event of liquidation. Union members held \$35 million of preferred stock (granted in exchange for earlier concessions), and it claimed additional millions in past concessions. As *Business Week* (8-5-85) pointed out, "both the preferred stock and any unsecured wage claims approved by the court would be paid before common shareholders—including Allen E. Paulson . . . who owns 34% of W-P common."

As one of the company's creditors, union members had a lever in the bankruptcy proceedings that neither the shareholders nor the banks could ignore. To get rid of Carney and his regime, the union had to change the company's Board of Directors, the majority of whom supported Carney. The main action here was the alliance the union formed with Mr. Paulson and with the director representing Japan's Nisshin Steel Co.; together Paulson and Nisshin owned 44% of Wheeling-Pitt's common stock, and both had long-standing disagreements with Carney's management of the company.

Allying with Carney's opposition on the board, the union went after Carney's board allies. One of them, Robert E. Seymour, was chairman of Pittsburgh Brewing Co., which makes *Iron City* beer, a Pittsburgh-area favorite among blue-collar workers. While never officially initiating a boycott of *Iron City*, the union informed union workers of Mr. Seymour's views and a spontaneous boycott emerged with unprecedented speed and comprehensiveness. Some steeltown tavern owners refused to serve the beer and removed all *Iron City* advertising paraphernalia from their windows and bars.

On September 20, 1985—60 days into the strike—Dennis Carney, Joseph Scalise and one other W-P vice president resigned. So did three of Carney's allies on the board of directors, including Mr. Seymour. Paulson now had a majority on the board, and he named a new CEO, George A. Ferris, who the USWA felt had a better attitude toward unions than Mr. Carney had displayed.

This, above all, is what set Wall Street to howling, and it must have sent a chill down the back of every anti-union manager in the country: The union had actually succeeded in firing the management who opposed it.

But, having replaced the autocratic and arrogant Carney with a new, more "cooperative" management team, the union still had

some tough bargaining to do. It had always been willing to give economic concessions. But it was done with leaving management to managers. Steelworkers wanted a continuing role in how the company was run. The strike continued another month before a new agreement was reached.

The final agreement was a continuation of the economic disaster steelworkers have been experiencing in the 1980s. Besides the wage and benefit cuts, the company terminated its pension plan and eliminated more than 1,000 jobs by shutting down a steel-making complex in Monessen, Pa. The union very skillfully used the pension plan termination process to reduce the size of the wage cut necessary to avoid liquidation of the company and to shift employment costs from Wheeling-Pitt to the federal government without greatly hurting retired steelworkers. But the contract, overall, did nothing to stop the declining standards steelworkers have experienced in the last five years.

It did, however, win a series of management concessions that constitute the most comprehensive and systematic encroachment on traditional management prerogatives in American labor history. Besides two USWA-appointed Directors and complete access to financial records, the union won a whole series of management rights. The union has equal representation, for example, on a Joint Strategic Decision Board, which is purported to be a parallel board of directors. It also has equal representation on similar boards at the plant and department levels. Thus at every level of the corporation, union workers have a role in what have traditionally been exclusively management decisions.

If unions are to combat the mismanagement that is undermining jobs and standards, they will have to engage in activities like those of the Steelworkers at Wheeling-Pitt. To find out more about these activities, *Labor Research Review* interviewed Paul Rusen, former USWA District 23 Director who headed up the negotiating team that created the co-management program at Wheeling-Pitt.

Rusen comes from a family of coal miners and steelworkers in the Wheeling, West Virginia, area. His father was one of those UMW coal miners who originally organized the CIO Steelworkers in the 1930s and was USWA District 23 Director from 1942 to 1968. Rusen himself was elected district director in 1977, but at the age of 51 retired in 1986. He currently is executive director of Employee Ownership, Inc., a consulting firm for labor unions, and is one of two USWA-appointed Directors at Wheeling-Pitt.

—Jack Metzgar



Steelworkers demonstrate in downtown Pittsburgh during Wheeling-Pitt strike. USWA Vice-President Leon Lynch (center) marches arm-in-arm with District 23 Director Paul Rusen (left) and District 15 Director Andrew Palm (right).

LRR: As we understand it, the union deliberately forced Wheeling-Pitt into Chapter 11 bankruptcy, something most unions try to avoid like the plague? Why did you do that?

Rusen: Let me clarify the record. It was reported in the press and claimed by Wheeling-Pittsburgh that we forced them into bankruptcy, but I think the record is quite clear that the only people that can file bankruptcy are the board of directors of Wheeling-Pittsburgh Steel. And the action by the board was brought about by the ineptness of their chairman, Dennis Carney, in not believing us that we were quite serious that there had to be a restructuring of the debt of Wheeling-Pitt, that our members were not paying the full burden of the company's financial problems.

We took a position very early in the negotiations that nearly \$450 million worth of debt would have to be restructured so that the banks were paying their share of the burden—through a stretch-out of the debt, reduction of interest rates, and forgiveness of some of the payments that were due. Avoiding bankruptcy is a normal thing that unions like to do. But it became our judgment at Wheeling-Pittsburgh that if there wasn't a restructuring of the debt, due to falling steel prices they would end up in a liquidation situation anyhow.

LRR: Were there advantages for the union to being in bankruptcy once the company was in it?

Rusen: Once the company was in bankruptcy, we became a player of equal status with everybody else. We were one of the big players

on the Unsecured Creditors Committee. That gave us a lot of bargaining position with the unsecured creditors, the banks and the bondholders of the company. It put us in a position in the bargaining that we could insist that the labor agreement would terminate at the time the reorganization was filed and, therefore, we could be a player in that game.

LRR: Through their stock ownership and through past contract concessions, union members had a financial claim as a creditor in the bankruptcy proceedings. How important was this financial-legal front and how important was the strike in ousting Carney and winning the contract?

Rusen: The stock-ownership program placed the Steelworker membership in a position that they had nearly \$32 million worth of preferred stock in the company and a claim on the profit-sharing program for another \$40 million or more. That, therefore, placed us in a position that we are one of the major creditors in the Unsecured Creditors Committee. That gave us tremendous voice as far as the legal front was concerned. But Dennis Carney would not have been ousted without the strike.

LRR: Led by Manufacturer's Hanover, the company's lenders kept threatening to force the company into liquidation. How real was that threat, both before the October contract and after?

Rusen: It was our position, and still is our position, that a liquidation was not a real threat. We looked at it from the position that if the banks forced liquidation, they would have received a liquidation value on the company that would have been far below their holdings of unsecured claims and the bondholders' claims. There was nearly \$450 million worth of claims out there, and a liquidation, where you sell this company off a piece at a time, if they could have realized \$100 million out of that, they would have taken a very bad beating.

The bondholders are in a situation that if this company reorganizes, their equity in the company will continue, and the unsecured creditors should have a major piece of equity as well. Therefore, they have an opportunity to regain their principal investment—probably not their interest loss, but they will not take the financial beating they would have in a liquidation.

LRR: So, basically they were bluffing.

Rusen: I think that was true. Now, if the strike would have run beyond the point where the company would have run out of cash in late 1985, there possibly could have been a liquidation. But the move by Allen Paulsen and the Japanese to force the resignation

of the board of directors and Mr. Carney allowed the company to get a hold of the situation and start the reorganization process.

LRR: What would liquidation have meant for Wheeling-Pitt workers? Would some of the mills have survived liquidation?

Rusen: If there had been a liquidation, there would have been several of the facilities that would have survived. And I think the Steelworkers' bargaining position was sufficiently strong that, for example, the Steubenville facility would be there and still operating—and most likely, the Yorkville, Martin's Ferry and Allenport facilities. The ones that would have been in danger would have been Beech Bottom and Monessen. Monessen has fallen by the road anyhow. Those facilities that were competing in the weaker markets would have been liquidated and probably never reopened.

LRR: And, although it might have been difficult, the surviving mills would have stayed union?

Rusen: Well, this is the Ohio Valley. I don't think that anybody would have come in here and tried to operate those facilities without a union. I think it was clearly demonstrated during the strike that we had a fair handle on what was going on.

LRR: The way you bargained the termination of the pension plan has attracted a lot of attention. How did that work? How were you able to reduce the size of the workers' actual concessions through the termination of the pension?

Rusen: Number one, we did not *bargain* the termination of the pension plan. The banks filed a petition, about two or three weeks prior to the settlement, insisting on the termination of the pension program because of a \$50 million annual payment that was due; the banks said this company could not, under any circumstance, reorganize with that kind of burden. Of course, they would rather have the \$50 million in their pockets rather than the people in the pension fund. They'd rather dump it on the Pension Benefit Guarantee Corp (the PBGC).

The effect of it was that it was some \$2.50 an hour that the Pension Guarantee Corp. was forced to eat because of the banks' action. That allowed us to reduce the pension cost to \$1.05 an hour.

LRR: How did the termination affect retirees and current W-P workers? Who lost what?

Rusen: The termination was a very short-term, emotional situation to people who suffered a short-term interruption of

benefits. But by establishing a voluntary program (V.I.B.A.) that the company contributes to, 95% of the benefits are being paid to those people who lost money. So, short term it was a traumatic experience. Long term, no real significant losses.

LRR: All of this is pretty fancy financial stuff, which most unions haven't had a lot of experience with. How important was Lazard Freres as a financial consultant to the union in all this? Do you see any dangers in unions' employing investment banking firms that are usually on the other side of the table?

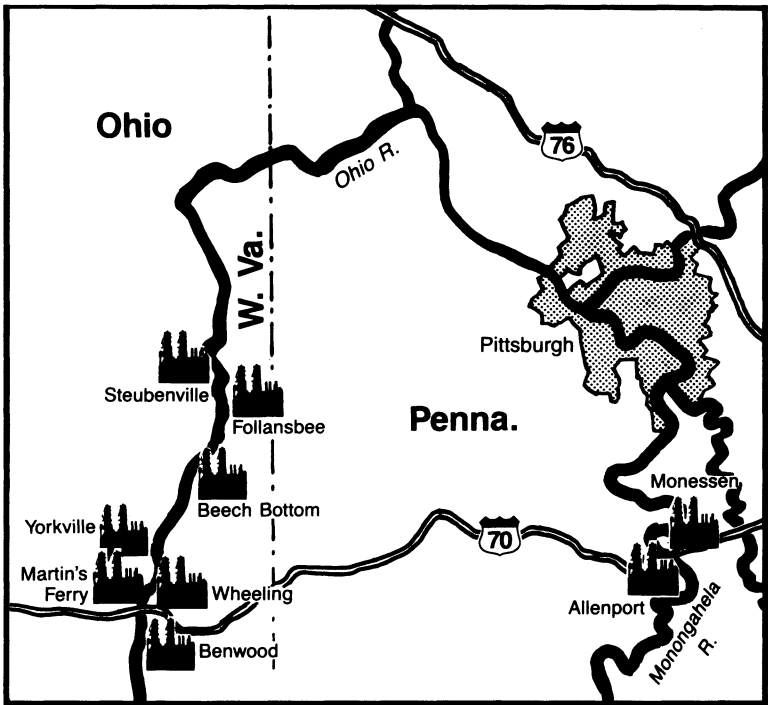
Rusen: Investment bankers are like attorneys. They're for hire. They're a hired gun, and they will represent their client to the best of their ability in the situation they're involved in at that moment.

The use of Lazard-Freres, and particularly David Spino, as a financial consultant in this was extremely important in our presentation of the case before Judge Bentz, and in the final reversal of that case in federal court, when the appeals court reversed Wheeling-Pitt's right to terminate our labor contract. They also brought to the table a good insight as to what to expect from the financial world—the banks, insurance companies and bondholders—in this situation. They brought us realistic numbers about the overall picture in the steel industry and what they thought the company could afford to pay. I thought their services were valuable, but as I say, they were a hired gun.

LRR: How involved was the rank-and-file in giving direction to the union bargaining strategy? Were they pushing for management rights, for example? Were they well-informed on all these complicated legal and financial issues?

Rusen: It became my pattern in this thing—and it dragged out nearly 14 months—that we attempted to communicate by direct mail to the membership on a regular basis. In the early days, it was maybe once a month, but once the labor dispute started, we were communicating on almost a weekly basis. We also took advantage of a company that would not talk to the news media, and we talked to the media on a very regular basis. We held regular press conferences. We ran ads in the local papers and in the *Wall Street Journal*—"the bankers won't budge" and some of those kind of ads. We did what I call a full-blown public relations campaign completely through the strike.

The negotiating committee, which was made up of the 19 local union presidents, met on a regular basis—sometimes, in the early part of it, on a weekly basis—and, as we progressed into a labor



the Plants & Mills of Wheeling-Pittsburgh

dispute, there were times we were living together seven days a week. They were brought up to speed on what was going on on a daily basis, and any changes in the format of negotiations, any changes in the financial situation of the company. We met with the committee on a regular basis, and it probably was the most well-informed committee that ever sat in negotiations.

LRR: But where did the idea of going after all this management rights stuff come from?

Rusen: I think the concept of that started in the 1982 negotiations, when I conceived the idea that if we had to make concessions to keep this company alive, we were going to have to have some voice in the management of the company, plus some ownership in the

company. So in April of '82 we installed the stock ownership program, and put in the labor-management participation teams (LMPTs). The frustration of that (the LMPTs) was that it was looked on by management as a program that was to work on the shopfloor of the plants, but the upper and top management of the company were not participants in it. They still made their decisions without any real participation from the union.

So as we moved through the December '82 negotiations, we tried to strengthen that participation and one of the things that I clearly said quite early to the negotiating committee is that we're going to have a program in place that is mandatory on the company, that will give us an honest representation in all levels of this company from the boardroom to the floor. Basically, it was a concept I conceived of, and then it evolved in the committee over a period of several years.

LRR: Concessions at Wheeling-Pitt allowed labor costs there to be \$5 or \$6 an hour below the industry average as of January 1986. Didn't that put a lot of pressure on Steelworkers at other companies to give concessions also? From the perspective of Steelworkers as a whole, might it not have been better to just let W-P die rather than to keep the concessions ball rolling?

Rusen: Well, the \$5 or \$6 an hour is a debatable figure, but for discussion purposes, let's say that's a proper figure. Wheeling-Pittsburgh paid a very high price for its \$18-an-hour total labor cost. There are seven major points why other steel companies would not want this agreement: 1) Wheeling-Pitt filed bankruptcy, which is terribly damaging to the careers of the officers of the company; 2) the chairman of the board was forced to resign; 3) the board of directors was forced to resign; 4) a union representative now sits on the board; 5) a cooperative management program provides total access to all financial information of the company; 6) the company's neutrality in organizing any new plants or any non-union existing plants; 7) major concessions on contracting out. Add these and all the other goodies of that agreement, and I guarantee you USX and any of the other big seven steel companies would never sign this agreement.

LRR: Now let's get to the management rights provisions in the contract. It's hard to know where to start because there are so many unusual arrangements. But it seems to us that the Joint Strategic Decision Board (JSDB)—with four management and four union representatives—is one of the most pathbreaking. Is this really a parallel board of directors? What powers does it have in

relation to the actual Board?

Rusen: Does it perform management functions? To an extent. Does it perform the way I want it to? Not yet. It has opened up a total flow of information that once upon a time was considered privileged and confidential by management. It gives us without question, or without any debate, all the economic numbers of the company—the price of steel, manhours per ton, information on orders, customers, information on everything that is going on financially in the plant.

It has provided an opportunity on a plant level for union members to have a say in a lot of things, such as contracting out, how we make a product, arranging schedules and changing schedules. Through it, people have something to say about their daily worklife.

The top management of Wheeling-Pittsburgh yet has not quite accepted that the overall total direction of the company should be part of that Joint Strategic Board's decision. Expansions, purchase of new facilities, those things are not really being discussed in the board the way I think they should be. But overall, if it has not accomplished one thing, there is a complete flow of information that most companies would say is confidential.

LRR: What is your role on the Board of Directors? Do a couple of union-appointed seats there give workers any real power?

Rusen: Number one, there's a voice there on any and every issue, a voice that brings to that board of directors a perception of what workers think and what workers need. We're not anti the capitalistic system. We believe this company should be in a position to make money. And if there's money made, it ought to be shared with the workers of Wheeling-Pittsburgh. There have been dozens and dozens of issues—issues I've voted for, issues I've voted against. It's been a very open board and I have said what's on my mind about any subject. In some situations, I've influenced some of the members of the board to vote in my direction. Last but not least, it gives me an insight on how corporate decisions are made. Some of them are very skillfully made, and others, well, you wonder how they make them.

LRR: How about the plant-level and department-level Joint Cooperative Employees Boards (JCEBs)? How are these similar to, and different from, "employee involvement" and "quality of worklife" committees usually set up by management?

Rusen: The first thing about the committees is that they're a part

of the collective bargaining agreement and they're mandatory on both the company and the local union. The union people on the boards are selected by the local union officers. They're not selected by the management. They are selected on the basis of consensus and there are times when there is considerable debate about those committees.

It's not the quality circle thing that looks for just improving quality, productivity or efficiency. These committees have the task of improving the quality of worklife. And they have certain contractual obligations, such as the question of contracting out, the question of the leader program, etc.

LRR: The "leader program." One of the union's goals with the JCEBs was to eliminate supervisors by training bargaining unit workers to manage their own work. How has that worked thus far?

Rusen: At the present time, the leader program has been worked out by the Joint Strategic Board on the top level. The board established goals and criteria for those people who go into the leader program. Presently, there are 29 leaders in place in the Steubenville facilities. At Yorkville and Martin's Ferry, there is resistance to the program.

The overall goal is to eliminate the first-line supervisor and put in place a leader program where the guy on the floor directs the other employees, but yet works with his hands to get the job done. This will be done by attrition, not just by going out and firing supervisors.

One of the big arguments in all the years I've been around the labor movement is the question of the supervisor out there performing bargaining unit work. If you have a leader (a union worker) doing the day-to-day duties of a supervisor—directing the employee where his assignment is today, getting the parts, making sure materials are there to work with and those kind of things—then it frees the supervisor to move up to the next level of supervising—no longer hands-on supervising, but actual management functions of looking at a whole department instead of looking at a small crew.

LRR: Is it too much to say that the object of the program is to bring the foreman position into the union?

Rusen: That is exactly what the program is all about.

LRR: Other union goals were to reduce excessive use of overtime and contracting out. Have the JCEBs been effective in those areas?

Rusen: The contracting out program has been exceptionally



functional. For example, in Steubenville, when they were rebuilding the ovens up there, the caster work and all the day-to-day maintenance work that was being farmed out is now being looked at on a competitive basis. On the basis of the contract language: Can we perform this work? Do we have the tools and equipment to perform this work? Can we do it better and cheaper than outside contractors? The final answer is that we have brought a great many of our trades and crafts people back to work. They're not on lay-off, like you'll find in the rest of the industry. Overall, the contracting

out thing has been very successful.

The elimination of overtime? I won't say that has been as successful as I hoped it would be. One of the things that came out of the elimination of jobs is that the company is very thin on maintenance people and a lot of downturn maintenance is being performed on an overtime basis which is excessive in my opinion. And we haven't found an answer to that problem yet.

I would rate the contracting out thing as probably about 90% successful and the elimination of overtime about 50% successful.

LRR: One provision in the contract, the "Price Escalation Bonus," obligated the company to pay up to one dollar-an-hour in bonuses if steel prices increased. Why did you tie wages to prices in this way? Has it yielded any bonuses yet?

Rusen: It has not yielded any bonuses yet because that program didn't go into effect until January 1 of this year (1987). There were price increases in steel that stuck in January, but we don't know where the price of steel is going at this point.

We looked at the steel industry and we were looking for something different, and I won't say this is the answer to the problem. But trying to tie an escalator clause to profits in the steel industry, with the deterioration of profits in the industry, it was almost impossible. If you try to tie it to cash flow, this is a very fluctuating number that is hard to do. So the experiment is to tie it to price increases. Will it work? I really don't know, but it was

going at it from a different direction, looking for a new way to tie into the improved financial position of the company. If prices increase, that means cash improves and that means our people will share.

LRR: The contract is set up to expire 10 days after the company comes out of Chapter 11, which was done to give the union a role in the company's reorganization plan. Does that seem to be working? Has the union been participating fully in reorganization planning, including potential arrangements with the bankers and other creditors?

Rusen: Number one, in the bankruptcy the union is totally aware of anything that goes on in the courts that affects the bankruptcy. And, next month I will be sitting in a three-day board meeting where we will have an opportunity to say to the operations people that we think you ought to do A and B, etc., in this reorganization. That gives us participation in it from that point-of-view.

Number two, by being in a position that the contract terminates 10 days after a reorganization is in place, the secured creditors, the unsecured creditors, the priority claims—all these people know that nothing they agree to is worth a damn unless we agree to it. Because without a labor contract, they cannot pay out the money that would be necessary for the restructuring of this company.

LRR: Overall, how would you rate Wheeling-Pitt's chances of surviving Chapter 11?

Rusen: I think that, provided we can solve the problems with the Internal Revenue and the Pension Guarantee Corp., this company will restructure and come out of the bankruptcy and be one of the viable and competitive companies in the steel industry.

It's a modern company, it has good facilities, and we've been working on a game plan to upgrade the existing finishing facilities of the company. We are looking at downstreaming this company to produce certain products by acquisitions of other companies—in a way that will not cost us jobs in the existing company.

I think that if we can continue on the program and if reasonable economic growth continues in this country, Wheeling-Pittsburgh is going to be one of the four or five steel companies that survive.

LRR: Has the union's role in management increased the chances of the company surviving?

Rusen: Oh, I think it has drastically increased the company's chance of survival. Because we are there participating in the day-

to-day decisions of how Wheeling-Pitt functions and because we have opened up those communications lines, everybody who works for this company—from the president to the laborer on the blast furnace—understands that we're in a war of survival. And I think that has a lot to do with all the production records we're breaking right now.

LRR: Many unionists are skeptical about unions having a role in management. They fear that being involved in "running the company" will eventually turn the union into a "company union"—that workers will be so concerned about the company's "competitiveness" that they will lose solidarity with and ignore the interests of their union brothers and sisters at other companies. Are management rights something the labor movement should be pursuing, even where the situation is not so desperate as it was at Wheeling-Pitt?

Rusen: First, there will always need to be a system of justice in any workplace, a place where a person can take his gripes and bitches to have his day in court. I don't care if you create the most liberal labor-management system, there are going to be situations where human beings—because of greed, selfishness and those things—try to take advantage of people. The labor movement and the union inside a company will always provide that opportunity for a judicial system. The union also brings to the bargaining table ideas about how to share in the wealth. The union will always be there for the purpose of providing the person who works on the floor in the plant the right to tell the boss, "Go to hell."

Over the last 40 years of the labor movement, we have been attacking management's rights over how they run companies. We have questioned how companies schedule employees and we've established a system of how people get the jobs by seniority. We've slowly chipped away at those fat "management rights" that were out there years ago, where if you were the boss' son, you got treated better than the poor Italian immigrant. And, over the years, we've been infringing upon those rights. We've created a workweek that did away with the bull gangs that used to stand in the plant. So, I just see this as a more sophisticated approach to what we've been doing for years. ■